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SURFACE TRANSPORTATION BOARD

NOTICE

STB Ex Parte No. 347 (Sub-No. 2)

RATE GUIDELINES - NON-COAL PROCEEDINGS

Decided: June 22, 2005

In Rate Guidelines—Non-Coal Proceedings, 1 S.T.B. 1004 (1996), the Board established guidelines for handling rate complaints in cases where the constrained market pricing (CMP) guidelines cannot practicably be applied.<sup>1</sup> In that decision, the Board provided tables containing “Revenue Shortfall Allocation Method” (RSAM) and “Average Revenue-to-Variable Cost > 180” (R/VC<sub>>180</sub>) percentages for each Class I railroad for the 4-year period 1991-1994. The Board updates the RSAM and R/VC<sub>>180</sub> tables annually.

The RSAM percentage measures the average mark-up above a carrier’s variable cost that the carrier would need to charge all its potentially captive traffic (traffic priced above 180% of variable costs) in order for the carrier to recover all of its non-variable costs under the Board’s Uniform Rail Costing System (URCS). RSAM accounts for a railroad’s need to earn adequate revenues as required by 49 U.S.C. 10704(a)(2).

The R/VC<sub>>180</sub> percentage represents the average mark-up above variable cost that a carrier receives on its high-rated traffic (traffic priced above 180% of variable cost).

The attached tables contain RSAM and R/VC<sub>>180</sub> percentages for the period 2000 to 2003 for all Class I carriers except Grand Trunk Corporation (GTC). They also contain Western but not Eastern or National composite percentages. GTC is the reporting entity for Canadian National’s U.S. operations. Beginning in 2002, GTC’s report represents a significant change from prior years, due to the consolidation of Illinois Central and Grand Trunk Western financial statements and the addition (and consolidation) of Wisconsin Central LTD. Because the operating statistics of GTC are not comparable to the previously reported individual railroad statistics, the Board could not compute a meaningful 4-year average for GTC or for Eastern or National composites. Thus, the tables reflect only the 2002 and 2003 results for GTC and for the Eastern and National composites. Until additional years of data become available, interested

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<sup>1</sup> CMP was adopted as the preferred procedure for evaluating the reasonableness of challenged rates in Coal Rate Guidelines—Nationwide, 1 I.C.C.2d 520 (1985).

parties may wish to rely on other relevant information in addition to the two years of data for GTC and the composite averages shown here.

By the Board, Leland L. Gardner, Director, Office of Economics, Environmental Analysis, and Administration.

Vernon A. Williams  
Secretary

**Table I**  
**RSAM Mark-up Percentages 2000 - 2003**  
**(Range Represents RSAM With & Without Efficiency Adjustment)**

<b>Railroad/ Region</b>	<b>4 - Year Average</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
<b>GTC</b>		390 - 486	415 - 497		
<b>SOO</b>	272 - 336	226 - 283	237 - 260	328 - 441	298 - 361
<b>KCS</b>	277 - 325	263 - 289	266 - 310	302 - 364	275 - 339
<b>NS</b>	188 - 233	181 - 210	179 - 216	186 - 235	208 - 272
<b>CSX</b>	232 - 273	247 - 283	223 - 259	242 - 290	217 - 259
<b>BNSF</b>	247 - 323	234 - 275	273 - 366	258 - 354	222 - 296
<b>UP</b>	217 - 290	206 - 237	196 - 255	213 - 299	254 - 369
<b>Eastern</b>		226 - 262	215 - 254		
<b>Western</b>	230 - 304	219 - 254	224 - 297	233 - 326	243 - 341
<b>National</b>		222 - 258	221 - 280		

**Table II**  
**R/VC<sub>>180</sub> Percentages 2000 - 2003**  
**Actual Average Mark-up Percentages for Traffic Above 180% R/VC**

<b>Railroad/ Region</b>	<b>4 - Year Average</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
<b>GTC</b>		252	228		
<b>SOO</b>	227	219	205	256	228
<b>KCS</b>	241	219	238	263	242
<b>NS</b>	212	209	221	219	200
<b>CSX</b>	194	187	207	192	191
<b>BNSF</b>	252	216	258	266	266
<b>UP</b>	226	210	236	234	222
<b>Eastern</b>		202	214		
<b>Western</b>	238	213	247	249	242
<b>National</b>		208	234		